

Senate Budget & Fiscal Review

Senator Steve Peace, Chair



Subcommittee No. 3
on
Health, Human Services, Labor, and Veterans Affairs

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Thursday, March 14, 2002
Upon Conclusion of Senate Floor Session
Room 4203

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8350 Department of Industrial Relations

Purpose and Descriptions. The Department of Industrial Relations (DIR) is intended to protect the workforce, improve working conditions and advance opportunities for profitable employment. The department has three major programs: the adjudication of workers' compensation disputes, the prevention of industrial injuries and deaths, and the enforcement of laws relating to wages, hours and working conditions.

The budget proposes to reduce the department's expenditures to \$259 million, a reduction of about \$10 million (about 4.1 percent) from current year levels.

The Legislative Analyst's Office (LAO) withheld recommendation on an information technology project, pending receipt of the project's feasibility study report (FSR). Since the *Analysis* was published, the LAO has notified the committee that it believes the FSR will provide sufficient justification for the project.

CONSENT AGENDA

No other issues have been raised about this budget. **Adopt the DIR budget.**

4130 Health and Human Services Agency Data Center and**5180 Department of Social Services Automation Issues**

The Health and Human Services Agency Data Center (HHSDC) provides departments and agencies within the Health and Human Services Agency support to use electronic data processing resources effectively, efficiently and economically. HHSDC is supported entirely by reimbursements from departments that contract with the data center for services.

The HHSDC has two general components. The **operations component** provides computer services, telecommunications support, information systems, and training support for departments in the Health and Human Services Agency. The **systems management component** manages five major projects for the Department of Social Services. Typically federal, state and county funds are used to finance the planning, implementation, and maintenance of the projects. The projects include:

- The Child Welfare Services/Case Management System (CWS/CMS)
- The Electronic Benefit Transfer program (EBT)
- The Statewide Fingerprint Imaging System (SFIS)
- The Statewide Automated Welfare System (SAWS)
- The Case Management, Information and Payrolling System of the In-Home Supportive Services system (CMIPS)

CONSENT AGENDA**SYSTEM MANAGEMENT COMPONENT**

Funds for the five projects are budgeted within DSS. The Data Center has established, through budget action, an overhead rate for providing overall support to these projects. In 2000-01, the overhead rate was 19.45 percent. Effective 2001-02, the Data Center reduced that overhead rate to 14.47 percent.

The LAO notes that the new, lower rate has been unevenly applied to all DSS projects: the budgets for the Electronic Benefit Transfer project and the Interim Statewide Automated Welfare System have been reduced; other systems have not been budgeted at the 14.47% rate. **The Analyst recommends reducing the remaining projects to reflect the reduction in overhead.**

- The Department will address this issue in a Spring Finance Letter.
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Child Welfare Services/Case Management System

The CWS/CMS system is required by state and federal law to provide automated case management support to child welfare workers. The main system has been developed, and all counties are using the system.

The ongoing budget for maintenance and support includes a net reduction of \$14.5 million, reflecting the completion of upgrade and replacement of hardware and software for CWS/CMS workstations in the current year. The Legislature last year provided budget language that requested the Data Center to update the Maintenance and Operations Plan concurrently with the upgrade, completing the plan update by December 1, 2001. **The Plan has been completed.**

Last year's budget included funding in the amount of \$1.2 million for replacement of an Application Server. The Legislature requested that the Data Center prepare a risk mitigation plan for the server replacement project, concurrent with preparation for replacement of the services. **The plan was developed.**

Last year's budget included new funding for an expanded element to serve adoptions workers with a case management component. The new functional element was developed as part of federal Statewide Automated Child Welfare Information System (SACWIS) requirements. The budget includes a one-time contract augmentation of \$100,000 to develop a Special Project Report for the CWS/CMS Expanded Adoption Subsystem.

Last year's trailer bill legislation created a pilot program in Los Angeles of an internet-based program for health and education information for foster care children. Ultimately, interface between such a system and CWS/CMS will be crucial to its success and use by child welfare workers. A project document has been prepared for review by state and federal control agencies. **Additional clean-up of this provision will likely be necessary in trailer bill language.**

- **No issues have been raised with this budget.**

Electronic Benefits Transfer (EBT)

Electronic Benefits Transfer (EBT) is the automation of welfare benefit authorization, delivery, redemption and reconciliation. It would replace paper food stamp coupons and benefit checks with transfer and use of benefits through point-of-sale devices and automated teller machines. Federal welfare reform requires states to implement EBT for food stamps by October, 2002. State law requires DSS and the Data Center to establish an EBT committee to advise on development of a statewide system, and to establish a single statewide EBT system that counties may use for other benefits. Procurement difficulties delayed the selection of a vendor for a year; a vendor was selected in July,

2001. The roll-out of implementation is now on schedule. The current schedule would implement EBT fully by April, 2004. The federal government has formally provided a waiver of the October 2002 deadline.

EBT costs during the current year are \$18.6 million. The budget requests an augmentation of \$39.7 million reflecting the implementation of the program in 15 counties (in addition to the single pilot county of the current year). Funds will be used for state and county staff, project consultants, EBT equipment, and conversion, maintenance and operation activities.

- **No issues have been raised with this budget.**

Statewide Automated Welfare System (SAWS): Interim Statewide Automated Welfare System (ISAWS)

The total budget for ISAWS, one of the four SAWS consortia, is proposed to be \$39.7 million, including county contributions. This is a net increase of \$5 million, composed of increased costs for the replacement of aging mainframes, and reductions associated with the end of welfare reform modification funding.

This consortium is the oldest in the SAWS system, and uses proprietary software that is expensive to change. The current contract ends December, 2003, and there does not appear to be the funds or the time to re-procure a vendor for this system. The county consortium members in November voted to end this program, and to plan for county members to move to one of the other consortia in SAWS, most likely C-IV or WCDS. The counties in the ISAWS program are small or medium, and generally do not have the resources to independently change to a new consortium, without state support.

The County Welfare Directors Association of California asks that the subcommittee adopt placeholder budget bill language requiring the Department of Social Services and the Health and Human Services Data Center work with the ISAWS Consortium to determine the steps necessary to ensure that ISAWS counties migrate expeditiously to one of the remaining SAWS consortia.

- **Recommend that the subcommittee adopt placeholder budget bill language requiring planning for the end of the ISAWS consortium.**

SAWS: Los Angeles Eligibility Automated Determination, Evaluation and Reporting System (LEADER)

LEADER, one of the SAWS consortia, began implementation in fall, 1999. Countywide implementation was completed in April 2001. There were considerable problems in the pilot stage of LEADER, and there have been some implementation difficulties. Advocates have claimed that hundreds of aid recipients have been denied benefits because of errors in the computer system during the transition. Los Angeles county

managers believe that the transition problems have been resolved. However, the problems in LEADER implementation have delayed the adoption of enhancements to the system to reflect state and local legal and regulatory changes, especially for Medi-Cal changes.

The total budget for LEADER in the budget year is proposed to be \$15.2 million, including Health Services funding. This is a reduction of \$5.2 million over the current year, principally related to the transition from implementation to maintenance and operations.

There may be unspent current year funding; Los Angeles County and control agencies will discuss whether to roll these funds into the budget year to undertake enhancements to reflect legal and regulatory changes, in addition to the basic maintenance and operation costs currently in the budget.

- **Discussions will continue and this issue will be considered in May.**

SAWS: Welfare Client Data System (WCDS)

The WCDS consortium began implementation in the 18 counties that are members in February 2000. Implementation is scheduled to be completed in 2004-05. The complete budget for the project, including county contributions, is \$86.0 million, the same as current year. However, General Funds are increased by a net of \$2.1 million due to a change in the project's cost allocation plan and the elimination of a current General Fund loan to purchase equipment. **The funding for this project has been reduced compared to planning documents for implementation. As a result, the implementation schedule has been extended by four months.**

- **No issues have been raised about this budget.**

In Home Supportive Services (IHSS)/Case Management Information and Payrolling System (CMIPS)

The IHSS program provides supportive services to eligible aged, blind and disabled persons that allow them to stay at home and healthy and safe, avoiding institutionalization. Beginning in 1979, the state developed and maintained a case management information and payrolling system for providers of IHSS services (the Case Management Information and Payrolling System, or CMIPS). The current contract to provide the system has been extended, and the Data Center is in the process of developing an RFP for a new system to replace the 20-year-old system. Development of the RFP has taken longer than anticipated, due in part to the new complexity of the system associated with new employer-of-record requirements for counties in the IHSS program. **The total budget for CMIPS is \$12.0 million. This represents an increase of \$561,000 to cover the cost of increased caseload.**

The proposed budget includes an increase in spending authority of \$376,000 for the Data Center to extend 6 limited term positions and associated operating expenses to extend the planning phase to complete the award and administration of a contract to replace the current system. The planning phase is now schedule to be completed by November 30, 2003, with a new contract in place.

The LAO recommends that the Legislature deny the spending authority increase, but extend the authority for the limited-term positions, currently authorized through 12/31/02, until 6/30/03. This is because the Analyst finds that the funds for the limited-term positions in the current year were not removed from the baseline expenditures, and hence new funds are not required.

- **The administration concurs with the reduction of spending authority of \$376,000 to the Data Center.**

OPERATIONS COMPONENT

The budget proposes a \$2.2 million increase in spending authority for equipment to meet consumer needs. The Data Center submits a BCP annually that consolidates infrastructure equipment requests. The year's requests include expanded capacity for the shared system processors. This processing platform is expanded based on usage by Health and Human Services Agency Departments and other purchasers of service; that usage has expanded an average of 20% per year since 1995. The Data Center also requests expanded Enterprise Disk storage for shared system needs. Finally, the request includes funds for additional UNIX servers to meet customer requests. Annually, the Data Center also provides technical adjustments to their budgets that reflect the actual expenditures in prior years. Typically, this has resulted in a reduction of Operations Expenditures.

The LAO withholds recommendation on the \$2.2 million increase, pending submission of a revised budget that adjusts the expenditure authority based on the actual cost of the \$7.5 million in new computer purchases budgeted in the current year.

- **The Administration will address this issue in a Spring Finance letter**

The LAO also notes that the Data Center typically has conducted a rate study examining data center operations and that results in improved rates and services to client departments. The Data Center is due, based on historical practice, to conduct a rate study within the next year. The LAO notes that in 2001 the Teale Data Center conducted a financial assessment that broadly compared its rates with private and other government entity rates and evaluated its operation with an eye to improving services. **The LAO recommends that the Legislature adopt Supplemental Report Language requiring the Health and Human Services Data Center to conduct this more comprehensive financial assessment in lieu of the expected rate study.**

The Health and Human Services Agency Data Center (HHSDC), in consultation with the Department of Finance, shall conduct a rate study that evaluates HHSDC current operations and processes and identifies operations and processes that should be improved thereby resulting in reduced HHSDC costs and rates and improved services to client departments.

- **The Data Center agrees to the proposed LAO language.**

DISCUSSION AGENDA

SYSTEMS MANAGEMENT COMPONENT

Statewide Fingerprint Imaging System (SFIS)

State law requires DSS and the Data Center to design, implement and maintain a system for gathering a fingerprint image for applicants for and recipients of CalWORKs. Imaging is a requirement of eligibility for CalWORKs and a condition of issuance for Food Stamps. It is designed to identify multiple requests for aid, and is labeled a fraud deterrence and identification mechanism.

This program has been legally contentious. A court decision last year limited the capacity of the state to require fingerprints for non-aided adults in the household, but affirmed other elements of the program (including the requirement of a photo image with the fingerprint and the requirement that a caretaker relative be fingerprint and photo imaged). The state is appealing the decision. The appeal may take up to a year.

The Legislature last year requested a state audit of the effectiveness of this program as a fraud deterrent. The Auditor General has scheduled an audit; it will not be completed until January, 2003. No data is being collected on savings associated with this program.

The current vendor to the program, EDS, has notified the Data Center that they will not renew the contract, which expires September 2003. The contract requires that both parties agree to an extension. It seems likely that if the contract is to be extended, the contractor may want more money.

Total costs for the program are proposed to be \$11.4 million, all General Fund. The budget includes \$561,000 in additional funding for three functions. These new costs are offset by a reduction of \$957,000 due to the end of implementation and a change to the maintenance phase of project operation.

- Software Independent Verification and Validation, to assure that software development complies with project standards and policies;
 - Data Center Systems Integration Division (SID) overhead (adds \$78,000 to base SID overhead funding of \$93,000)
 - Fingerprint Expert consulting.
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The LAO recommends that the budget be reduced by \$464,000, denying the Software Independent Verification funds and the SID overhead (both the augmentation and the base funding), and withholds recommendation on the fingerprint consulting services pending additional information demonstrating the need for such consulting. ■

- The LAO will present their recommendation, and the Data Center will respond.
- **Should the subcommittee adopt the LAO reduction?**

Statewide Automated Welfare System (SAWS)

SAWS is a multi-program automated system that provides support to eligibility determination, benefit computation, benefit delivery, case management and management information for CalWORKs, Food Stamps, Medi-Cal, Foster Care, Refugee Assistance and the County Medical Services program. The system is delivered through a multiple county consortium including four consortia. (Interim SAWS, 35 counties; Los Angeles Eligibility Automated Determination, Evaluation and Reporting System or LEADER, 1 county; Welfare Client Data System, 18 counties; and Consortium IV, 4 counties).

The Data Center provides oversight for the four consortia, including review of project documents and budgets, deliverables and risk management. The Data Center assures that state and federal control agency approvals are completed in a timely fashion. The budget includes a total of \$7.1 million for such oversight, no change over the current year. The oversight expenditures include \$2.3 million for consulting services. **The LAO has recommended that the Data Center budget be reduced by \$2.3 million, as there is no information as to the specific activities and tasks that would require consulting services.** The Data Center has provided an extensive list of activities needed for project management. They particularly believe that these activities require the use of consultants with specific expertise that is not available with state staff.

- The LAO will present its recommendation and the Data Center will summarize its response..
- **The subcommittee will determine whether to adopt the LAO recommendation.**

Consortium IV (C-IV)

The SAWS consortium that is furthest from implementation is Consortium IV. The budget for C-IV is \$75.5 million, identical to the current year. This amount is also a reduction from the planning documents. The Analyst suggests that this project could be eliminated, and the four counties affected (San Bernardino, Riverside, Stanislaus, Merced) be directed to join another consortium. Given the proposal to end ISAWS, ending C-IV as well would result in 39 counties being added to WCDS (or LEADER).

This would end the most current technology among the consortia, and would concentrate vendor selection to only the two remaining systems. There would likely be a legal challenge on the contract. And, roll-out to all counties would likely be delayed. Advocates believe that any budget year savings would be offset by costs to move the four affected counties to other SAWS consortia. The savings from a cancellation would include \$16.3 million General Fund and \$52.4 million TANF funds.

- **Should the subcommittee consider canceling the Consortium IV project?**

5160 Department of Rehabilitation

The Department of Rehabilitation assists people with disabilities to obtain and retain employment and to maximize their ability to live independently in the community. The Department operates the Vocational Rehabilitation Services program (VR), funded primarily with federal funds and state matching funds. The VR program provides vocational services to persons with disabilities, including through cooperative agreements with other state and local agencies (education, mental health, welfare) to provide specialized services. The Department also provides Habilitation Services, vocational and supported employment services for persons with developmental disabilities, using state funds and federal Medicaid Home and Community-Based Services Waiver reimbursements. The department provides support services for Community Rehabilitation Programs, including independent living centers. The budget is anticipated to be \$483.9 million (\$167.6 million General Fund), an increase of 2%.

Summary of Expenditures				
(dollars in thousands)	2001-02	2002-03	\$ Change	% Change
General Fund	\$166,163	\$167,575	\$1,412	0.8
Vending Stand Account	3,360	3,360	0	0.0
Federal Funds	280,615	289,976	9,361	3.3
Reimbursements	24,099	23,028	(1,071)	-4.4
Total	\$474,237	\$483,939	\$9,702	2.0

CONSENT AGENDA

Departmental Operating Expenditures

The Department has proposed to reduce departmental operating expenditures by a total of \$2.2 million (\$475,000 General Fund). This is in addition to total reductions in departmental operating expenditures in 01-02 of \$3.0 million total funds, including General Fund and unmatched federal funds; and an additional net reduction of \$0.4 million in personal services and operating expenditures, also in 01-02. **The Department proposes to institute hiring and purchasing freezes in order to achieve this level of savings.**

- **Propose to adopt the operating expenditure reductions.**

Vocational Rehabilitation Services: Cooperative Agreements

The Department provides a portion of its Vocational Rehabilitation services through cooperative agreements with school districts, state and community colleges, county mental health programs and county welfare departments to provide rehabilitation services to clients served by these agencies. In these cases, the cooperating entity provides match collars and the Department provides federal VR funds. **The budget proposes to increase cooperative agreements with colleges to generate General Fund savings of \$430,000.** These savings are in addition to the \$1.6 million General Fund identified under VR Program Services in the Discussion Agenda, for a total of \$2.1 million General Fund savings in VR case services.

The Budget contains Budget Bill Language requiring county mental health to identify in their cooperative program proposal match resources that supplement VR activities, and assure that the client is ready for VR services. The items requested are not unreasonable, but are included in the general cooperative agreement signed by every partner agency.

- **Adopt the expansion of cooperative agreements, with accompanying General Fund Savings.**
- **Eliminate the mental health-specific Budget Bill Language.**

Vocational Rehabilitation Services: Ticket to Work Act

In December, 1999, the federal Ticket to Work and Work Incentives Improve Act became law, designed to increase the number of persons receiving Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) that obtain employment and thereby reduce or eliminate their benefit payments. The federal act provided that claimants could choose their own employment service provider, and that providers would only be paid when the claimant obtained work. The act also provided that claimants could maintain Medi-Cal or Medicare coverage while working.

The current budget include Supplemental Report Language requiring DR to report by January 1, 2002, on prospective and ongoing efforts to implement the Ticket to Work Act, including (1) a timetable for implementation, including release of federal regulations; (2) the impact of the act on Californians, including on DR caseloads; (3) the status of any negotiations with providers for services; and (4) any changes in law or regulation necessary to achieve compliance.

The federal government has been slow in initiating Ticket to Work authority to states. The current schedule is for California to begin its program in August 2003. The Department has completed the report; it is in the administrative review and approval process..

- **Put Ticket to Work on May Open Issues agenda.**
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Vocational Rehabilitation Services: One-Stop Career Centers

The Department of Rehabilitation is a mandated participant in the operation of One-Stop Career Centers, required as a part of the federal Workforce Investment Act and managed by the 50 Workforce Investment Areas throughout the state. The Department has negotiated the placement of VR services in at least One-Stop Center in each Workforce Investment Area.

In addition to co-location of VR services, the Department has provided leadership to a work group reporting to the California Workforce Investment Board to address the issues of disability access in the workforce investment system. The work group has completed various activities:

- Acquired discretionary Workforce Investment Act funds for training and services to support improved access in local One-Stop Centers. This funding includes a small fund for grants to local One-Stop Centers to improve accessibility.
- Provided training to One-Stop Centers on ADA, disability services, and facility and program access.
- Developed a plan for statewide marketing on hiring persons with disabilities for the workforce investment system.
- Participated in the development of an assessment tool for One-Stop Centers to determine their accessibility to persons with disabilities.
- Participated in discussion of standards to provide guidance to One-Stop centers.

Survey results from the assessment of One-Stop Centers were requested from the Employment Development Department, and will be discussed more fully under their budget. The Department will report on how the Legislature can determine whether co-located services result in expanded enrollment by VR clients in job services, and whether such enrollment results in successful outcomes for VR clients. The Department will consider whether it can routinely identify how much in resources are spent on One-Stop participation by the Department?

- **This issue will be discussed under the EDD budget.**

Support of Community Facilities

The Department distributes federal and General Funds to support Independent Living Centers (ILCs) throughout the state to provide a variety of services to individuals with disabilities. ILCs provide peer counseling, housing registries, information and referral, attendant referral and personal and systems advocacy. For the last two years, the budget has provided funds for ILCs to assess local needs for assistive technology, and to provide assistance to individuals needing assistive technology.

The budget proposes to shift funding for ILCs from General Funds to federal Social Security Act funds, for a General Fund savings of \$3.4 million. The state receives Social Security Act funds when departmental efforts successfully remove a SSI or SSDI recipient from the rolls, or reduce their benefits. SSA reimbursements already provide a portion of ILC funding, and were used last year to continue funding for assistive technology. The proposal for the budget year shifts the entire ILC grant funding to SSA reimbursements. There is no reduction in net ILC funding.

The current budget required the Department to report by January 1, 2002, on how to improve the provision of assistive technology devices and services to Department clients. The report has been drafted. It is in the administrative review and approval process. However, the Department reports that it is developing a formal memorandum of understanding with the California Department of Aging on independent living, including policy coordination and collaboration on housing and assistive technology efforts.

- **Adopt the shift to federal SSA funds, for a General Fund savings of \$3.4 million.**

DISCUSSION AGENDA

Vocational Rehabilitation Services

The Vocational Rehabilitation Services (VR) program is the primary service delivered by the Department. Using federal Rehabilitation funds, and various state and local matching funds, the program assists individuals with disabilities to prepare for, enter into, and retain competitive employment. Services are delivered through field offices throughout the state, and include client assessment, counseling and guidance, purchase of individual rehabilitation services and job placement. In 2001-02, the federal grant was \$254.5 million, with a required match of \$68.9 million (the match could be General Fund, reimbursements, or third-party in-kind match). In 2002-03, the Department estimates that the federal grant will total \$260.9 million, with a required match of \$70.7 million in General Fund, reimbursements or third-party in-kind match.

The VR program is not an entitlement program. The Department operates under a federal Order of Selection (OOS) process, a method of assessing applicants that gives priority for service to persons with the most significant disabilities. The OOS process has been operating since September 1995 and has twice ceased delivery of services to new applicants for periods of time due to lack of funds. Since July 1999 DR has been able to maintain stable service levels in the categories of Most Significantly Disabled and Significantly Disabled clients. This stability is due to improved cost estimating and reporting methods. In addition, the Department has implemented a new assessment tool that is more consistent in scoring and takes significantly less time to complete. 40% of the cases served by VR in 2000-01 received SSI, SSDI or both. This percentage has been growing over recent years, confirming that the programs serves very disabled clients.

The largest categories of clients include those with a psychiatric or substance abuse disability (23%), physical disability (27%) or learning disorder (19%).

Caseload Information

The budget proposes to maintain services to the categories of Most Significantly Disabled and Significantly Disabled clients through June 30, 2003, and estimates that **cost and caseload increases will require an increased appropriation of \$13.65 million (\$2.9 General Fund) for base program expenditures, for a total cost of \$72.3 million.** The balance of the VR budget beyond the base program goes to support cooperative service programs with other agencies and WAP and SEP (\$96.7 million); non-caseload programs such as Blind Services, administration of the cooperative programs, and the In-Service Training grant (\$3.7 million); and staffing and related costs for the provision of direct services for VR consumers (\$130 million).

VR Program Services

The budget proposes to achieve savings of \$1.6 million General Fund (\$7.7 million total funds) by instituting various efficiencies in the delivery of VR services. These savings are in addition to total reductions to case services of \$1.5 million in 01-02.

Specifically, the Department proposes to:

- Reduce the frequency and duration of medical examinations, psychological evaluations and vocational assessment evaluations. This reduction will be achieved by using MediCal to pay for medical and psychological evaluations, and by using existing medical, psychological and vocational information from other sources as appropriate. The budget proposes to reduce these costs by 20%, for a savings of \$348,000 General Fund (\$1.6 million total funds).
 - Reduce the cost of post-secondary education services by requiring clients to attempt to identify alternative education benefits (such as Pell grants); by using community colleges, where appropriate, to meet higher education needs; and by limiting payment for private schools to the rate that would be paid to a public school or university. The budget proposes to reduce these costs by 20%, for a savings of \$699,000 General Fund (\$3.3 million total funds).
 - Reduce the cost of Personal Social Vocational Adjustment services, which are services to train clients in appropriate work related behaviors designed to identify and eliminate specific barriers to employment. The budget estimates that costs of these services will be reduced by 20%, for a savings of \$460,000 General Fund (\$2.2 million total funds).
 - Reduce the cost of computer services provided to clients, by maximizing the use of bids and statewide or regional contracts to procure computer services. The budget proposes to reduce these costs by 10%, for a savings of \$97,000 (\$450,000 total funds).
 - Suspend the provision of modifications to a consumer's home or work site deemed essential to enable the consumer to function in that setting (ramps, removal of mobility barriers, etc.). Fewer than 10 consumers receive these
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services annually. The budget proposes savings of \$39,000 General Fund (\$185,000 total funds).

The Department has indicated that it does not expect these reductions to reduce the number of clients or the performance success of rehabilitation services. The Department was required to report in 2000 on strategies to improve employment outcomes, better managed program costs, and more effective determination of disability. The Department reported that successful employment outcomes were increased from 1999-2000 to 2000-01. The Department could report on any changes in federal outcome indicators in the budget year.

- **The subcommittee should consider whether to adopt the proposed reductions.**
- **The subcommittee should consider whether to adopt Budget Bill Language requiring the Department to report on federal outcome indicators in the VR program in 00-01, 01-02 and 02-03.**

Americans with Disabilities Act Unit

The Department maintains a unit to provide training and consultation to other State agencies to assist them in their compliance with the Americans with Disabilities Act (ADA). In addition, the Director of the Department chairs a state-level committee, the ADA Interagency Task Force, appointed by the Governor, to make recommendations to assure that state buildings are accessible to persons with disabilities and to develop a plan to identify any unmet needs and recommend methods for meeting such needs to ensure that persons with disabilities have equal access to state programs and services. In addition, the 2000-01 budget included \$60 million (\$20 million General Fund, \$20 non-governmental funds, and \$20 million special funds) for projects addressing accessibility of state buildings by the disabled. The funds are available until June 2002. The ADA Interagency Task Force identified priorities for the expenditure of these funds.

The Department reports that \$11.5 million was spent by August (\$8.1 million General Fund, \$1.5 million Special Funds, and \$913,000 from Non-governmental funds). These funds were spent primarily on General Services state-owned buildings, EDD-owned job service locations, and CalTrans-owned building. In October, the Department reported that an additional \$15.2 million was spent (\$10.9 million General Fund, \$2.7 million Special Funds, and \$1.5 million non-governmental funds). These include Fish and Game, CalTrans, fairs, parks and recreation, and visitors areas for a variety of state agencies.

It seems likely that some funds will remain in these accounts, although the General Fund account has been exhausted. The initial solicitation for these funds generated responses from 15 departments, requesting over \$80 million in funds. The Department may be able to develop plans to leverage use of special and non-governmental funds.

- **The subcommittee will consider whether to roll over remaining ADA funds.**
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Habilitation Services

The Habilitation Services program provides services to clients with developmental disabilities through Work Activity Programs (WAP) and Supported Employment Programs (SEP). Clients in these programs are referred from Regional Centers, and the services are an entitlement to eligible clients under the Lanterman Act. WAP programs provide work experience and work-related services in a sheltered setting. SEP programs provide competitive employment opportunities, with training and ancillary support services to enable clients to learn job skills and maintain employment.

Some WAP and SEP services are provided with base Vocational Rehabilitation funding, when clients are potentially likely to succeed in supported or competitive employment in the community. Most, however, are provided under the Habilitation program. These services are for clients who are unable to benefit from base VR services, or who have progressed through base VR services and have continued long-term support needs in order to participate in supported employment.

WAP and SEP services are funded with a combination of federal VR funds and their accompanying state match, Medicaid Home and Community-Based Services Waiver reimbursements and other state General Funds.

WAP Rate Setting

WAP services are usually provided in a sheltered workshop and include both paid work and work related services. Services are paid on a per consumer day, and the rate varies from provider to provider based on their WAP historical costs. Statute requires the rate to be re-established every two years, based on the service provider's cost of providing services. In other words, rates would be set for the 2002-03 fiscal year, based on expenses incurred in the 2000-01 fiscal year.

The budget proposes to suspend the new rates that would otherwise be set in 2002-03. Preliminary estimates are that this suspension avoids \$4.9 million in new costs (\$3.8 million General Fund). WAP providers estimate that the increase would be more than twice this amount, based on actual costs.

- **The subcommittee will consider whether to freeze the statutorily-required rate process for WAP services, by adopting Trailer Bill Language to do so.**

WAP and SEP Program Changes

SEP services are usually provided at the work site of a community or private employer. Services can be provided in a group of 3 or more individual with a full-time job coach (Group SEP services), or through individual job coaching for an individual in a work setting (Individual Placement SEP services). Individual Placement services are

reimbursed based on job coach hours, and it is anticipated that job coach hours decline over time.

The budget anticipates an increase of \$10.9 million (\$10.5 million General Fund) for the Habilitation WAP and SEP programs, due to caseload changes, in addition to increases in the VR portion of the budget of \$689,000 (\$143,000 General Fund) based on caseload changes in WAP and SEP. Current year spending was increased for WAP and SEP through a deficiency appropriation, related to an increase in the number of days clients attend WAP programs and the number of job coach hours provided in the SEP program.

The budget further anticipates that caseload cost increases in the Habilitation program will be offset by a reduction of \$7.3 million (\$5.9 million General Fund) to reflect various cost containment measures in the Habilitation WAP and SEP programs. The budget does not detail these reductions, and provides that the Department will convene a stakeholder group to make specific recommendations to accomplish these reductions. The Department notes that costs in the recent past have increased faster than caseload, and has identified limits on job coach hours, increased group sizes, elimination of payment for some supervision activities, changes the method of payment, and other areas for potential reductions.

- **The Department will report on the status of the stakeholder process.**

5170 State Independent Living Council

The State Independent Living Council (SILC) was established by executive order in June 1996. The SILC is required by the Federal Rehabilitation Act of 1973 (as amended in 1992) in order for the state to receive federal funding for Independent Living Services and the Centers for Independent Living. The SILC is responsible for developing a state plan for independent living in conjunction with the Department of Rehabilitation and is required to monitor, review and evaluate the implementation of that plan.

5170				
Summary of Expenditures				
(dollars in thousands)	2001-02	2002-03	\$ Change	% Change
State Council Services (Reimbursements)	\$431	\$432	\$1	0.2
Total	\$431	\$432	\$1	0.2

The SILC has a staff of three to support a Council membership of 18. The budget has remained virtually unchanged since the establishment of the office.

The SILC is currently engaged in working with the Department of Rehabilitation on the newest version of the state's plan for independent living. The SILC will hold public hearings on the plan in April, and it is expected to be submitted to the federal Rehabilitation Services Administration in June.

In addition to preparation of the state plan, the SILC publishes reports on disability issues, evaluates grants for the Department of Rehabilitation, and partners with other disability agencies and interest groups to provide information and referral to the public, and to promote independent living values and services. The SILC has not yet completed its 2000-01 annual report, but expects to do so in the next month. The SILC did publish a report in 2001, EMPLOYMENT SUPPORTS FOR PEOPLE WITH DISABILITIES: A SUMMARY AND ANALYSIS OF FOCUS GROUP RESEARCH. The SILC also funded an additional report on the impact of the energy crisis, and related increased costs, on people with disabilities. The final draft of the report has not been released yet, but is expected in the next two months. Finally, the SILC contracts for a Systems Change and Education network, operated through Independent Living Centers, with full-time advocates linked to a statewide network of empowerment teams.

CONSENT AGENDA

Adopt the SILC budget.
